

Future of OPIC Seen at Stake in ITT Insurance Inquiry

By Marilyn Berger
Washington Post Staff Writer

Sen. Frank Church (D-Idaho) has launched a two-pronged effort to investigate the handling of the unsettled \$92.5 million International Telephone and Telegraph Corp. claim for government-sponsored insurance resulting from the expropriation of its properties in Chile.

Church, who heads the newly created Senate Foreign Relations subcommittee on multinational corporations, is trying to determine whether any investigation has been made of ITT's political and economic activities in Chile and whether the corporation in any way "provoked" the expropriation of its holdings.

ITT's claim became "mature" on Sept. 29 in accordance with the contract with the government-sponsored Overseas

whether this relieved OPIC of any liability to ITT.

At the same time Church has requested Elmer B. Staats, Comptroller General of the General Accounting Office, to undertake full review of OPIC, which would include OPIC's procedures in investigating the ITT claim.

Lurking behind the questions being posed by Church is the congressional power of the purse that could withhold funds from the agency if it made payments to ITT after

insufficient investigation. OPIC requested an \$85 million appropriation for the next fiscal year, which Congress has already cut in half.

Also looming in the background is the possibility that ITT could invoke a curious clause in the insurance contract that absolves the corporation from responsibility for "provoking" a takeover if that action was "taken in compliance with a specific request of the government of the United States of America."

What Church appears to be trying to determine is whether the threat of such a defense, which would obviously be very embarrassing to the government, in any way influenced the investigation of the claim.

Additionally, there is the

still unexplained tentative ITT subsidy to the Republican national convention and its alleged connection to the settlement of antitrust cases against the conglomerate corporation. This has raised questions

about ITT's links with the present administration.

Under ITT's contract with OPIC, the insurer has six months after the claim becomes mature to make a determination on whether to pay it. ITT has repeatedly told its

stockholders that it anticipates to recover losses. In its second quarterly report this year, ITT stated:

"Subsequent to the corporation's recording the claim for

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Private Investment Corp. which requires that the expropriatory action must continue for a year.

Following the Chilean takeover alleged that the corporation had attempted to prevent the 1970 election of Chilean president Salvador Allende and subsequently sought covert U.S. government assistance to prevent his inauguration.

In a letter dated Sept. 20, Church asked OPIC's President Bradford Mills a series of four questions concerning ITT's claim, specifically to determine whether the government-funded insurance company has carried out an investigation to determine whether the alleged activities of ITT executives in Chile constituted a "provocation" leading to expropriation of the properties. Church also has asked

Probe Begun of ITT Insurance Claims

OPIC, From A33

Insurance, OPIC asserted that certain documents regarding alleged ITT activities in Chile upon which recent statements in the press were allegedly based, have a bearing on ITT's right to compensation, or on the amount thereof. The corporation believes it will ultimately be compensated for the loss of these properties in an amount at least approximately equal to the \$92,567,000 claim which has been filed.

Dip in Reserves

An OPIC spokesman said that ITT has paid premiums on its insurance for properties in Chile amounting to a total of \$3,167,618.73. Thus a payment of anything approaching the \$92.5 million claim would mean dipping into OPIC reserves that have been built up over the years from taxpayer-supported congressional appropriations, premiums and earnings on investments.

OPIC insurance reserves now total \$103.1 million, according to a spokesman. There is an additional \$19 million in unallocated reserves that can be added either to the insurance account or the loan account.

OPIC reserves have already been diminished by payments of claims to companies expropriated by Chile since the Marxist-oriented Allende took power. OPIC has paid the Andacoma Company \$11.9 million on an expropriation claim, leaving an additional \$154 million claim in dispute. It has

also paid the Ralston Purina company \$614,475 on an expropriation claim, of which OPIC recovered \$448,000 from the Chilean government. More claims are anticipated.

In the Ralston Purina claim, OPIC made the determination that the appointment by Chile of an "intervenor" to run the corporation constituted expropriation under the terms of the insurance contract because the "intervention" continued for a year.

This was the strongest indication yet that OPIC was favorably considering the ITT claim, since ITT was similarly "intervened." Following the Anderson charges, however, the Allende government introduced legislation to formally expropriate the corporation. That bill passed the lower house of the Chilean parliament unanimously and is still pending in the upper house.

Compensation Discussed

Prior to the Anderson disclosures, ITT and the Chilean government held discussions on compensation for the corporation's properties. Chilean officials charged that ITT refused a series of proposals for purchase, saying that the corporation was dragging its feet on the assumption that Uncle Sam would bail it out. Chilean officials charged that ITT, by involving claims on its government-sponsored insurance, could receive more prompt—and possibly greater—compensation from OPIC than it could from a long-term agreement with Chile.

ITT places the value of its

expropriated holdings at \$150 million. The Chilean government says it is closer to \$24 million.

Disclosure of ITT's alleged activities in Chile, meanwhile, led to widespread questioning of the wisdom of U.S. programs that tended to foster among multinational corporations a sense of partnership with the government.

Insurance to cover risk capital abroad was established to encourage private corporations to supplement U.S. aid programs by putting money into less developed countries.

As a result, private corporations became an instrument of U.S. government policy to the extent that the government—by granting or withholding insurance—could influence where private funds are invested.

The insurance, in turn, had a tendency to encourage large

multinational corporations to expect U.S. protection of their interests. The questions being raised by Church in the ITT case, and which are expected to be raised in the study to be undertaken by the Church subcommittee, appear designed in part to determine whether this kind of implicit partnership is proper and whether it should be continued.

Request to Check

In considering ITT's claim OPIC has asked the Chilean government to permit two of the agency's officials to check the corporation's books and installations in the country sometime before Oct. 16.

At the embassy's insistence, the officials met with Chilean Ambassador Orlando Letelier last week in Washington. A letter from OPIC followed for ITT, asking for the Chilean government's cooperation in

the investigation. The Chilean embassy here then asked for background material on the two men designated to go to Santiago. An embassy official said the information had been received and forwarded to Chile, but no reply has yet gone out to OPIC.

OPIC has also requested and received further documents from ITT similar to those that were given to the Senate Foreign Relations Committee. These documents remain classified.

Some Chilean officials claim that OPIC is interested only in a pro forma investigation prior to full payment of the ITT claim after the U.S. election in November. Church's requests for information from the government insurance agency seemed designed to force a more thorough check of ITT, and in turn, a hard look at OPIC itself.